Weekly Economic Review

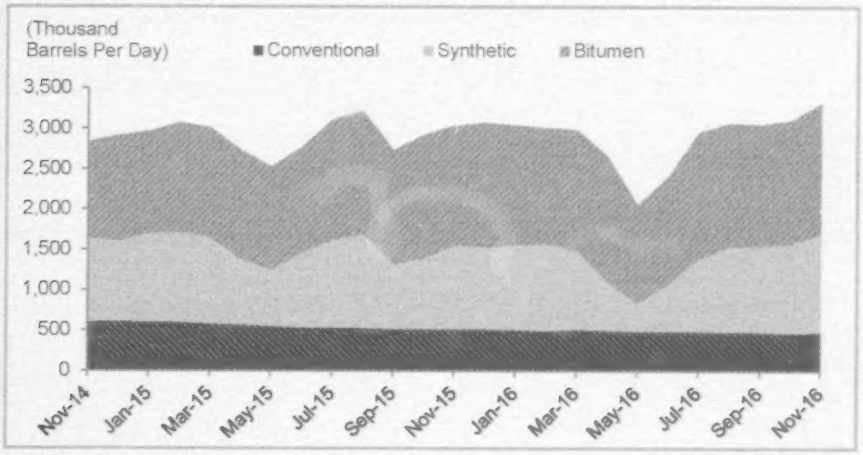
Alberta oil production hits record high

Supply and Disposition of Crude Oil

Non-conventional drives production growth

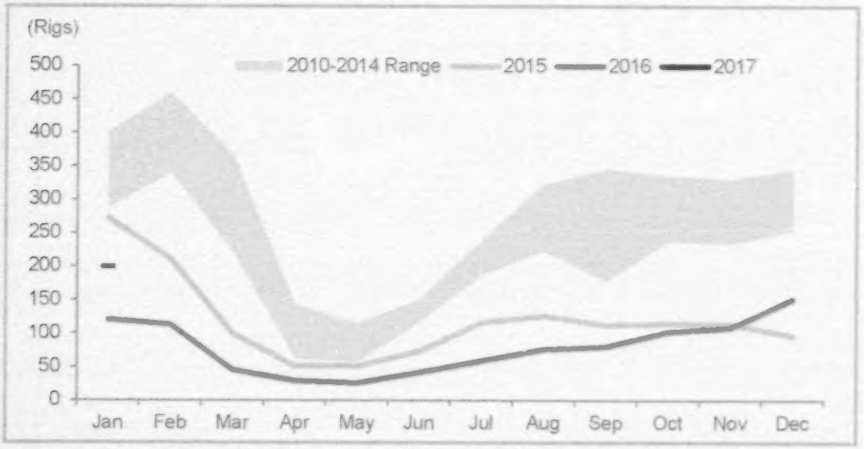
Alberta's oil production hit a milestone in November, as non-conventional production reached the highest level ever. Alberta produced a record 3.3 million barrels of oil per day, up 9.2% from a year ago. The increase was boosted by strong growth in synthetic crude (+17% year-over-year or y/y) and bitumen (+9.5% y/y), as both reached record highs (Chart 1). Conversely, conventional oil production continued to fall (-8.2% y/y). Despite the increase, oil production remains down 1.3% year-to-date (YTD) due to wildfire-related outages earlier in the year.

Chart 1: Non-conventional oil production hits record high
Total Alberta crude oil production



Source: Alberta Energy Regulator

Chart 2: Drilling activity climbs but still below pre-recession levels
Number of rigs drilling



Source: Canadian Association of Oilwell Drilling Contractors

Rigs Drilling

Drilling activity off to a good start

Drilling activity continues to recover. The number of active rigs in Alberta rose for the eight consecutive month and averaged 199 in January. Compared to a year prior, rigs activity rose by 66% (Chart 2). Although drilling activity has risen across North America, Alberta outpaced the rest of Canada (+11.2% y/y). In January, Alberta accounted for 71% of overall rigs drilling in Canada. The decline in activity during the downturn means that rigs drilling still remained 45% below the five-year average from 2010-2014.

Metres Drilled

Metres drilled slips

Metres drilled dipped slightly in November following improvements in the previous five months. The metres drilled fell 4% month-over-month (m/m). Compared to November 2015, however, they were up 10% as increased metres drilled for oil (+31% y/y) outweighed a decline in natural gas (-9% y/y). YTD, the number of metres drilled remains 26% lower than the same period in 2015, largely reflecting weakness in the first half of 2016.

Railway Carloadings

Railcar shipments remain strong

The volume of railcar shipments originating from Western Canada slipped slightly in November but remain elevated. Western Canada carried a total of 166,234 tonnes of railcar

shipments, down 0.8% m/m, but about 22% above the trough in May. Railcar loadings have steadily increased in recent months, reflecting higher shipments in agriculture and food, energy, and chemical and fertilizers. Compared with a year ago, railcar shipments rose for the third straight month (+6% y/y).

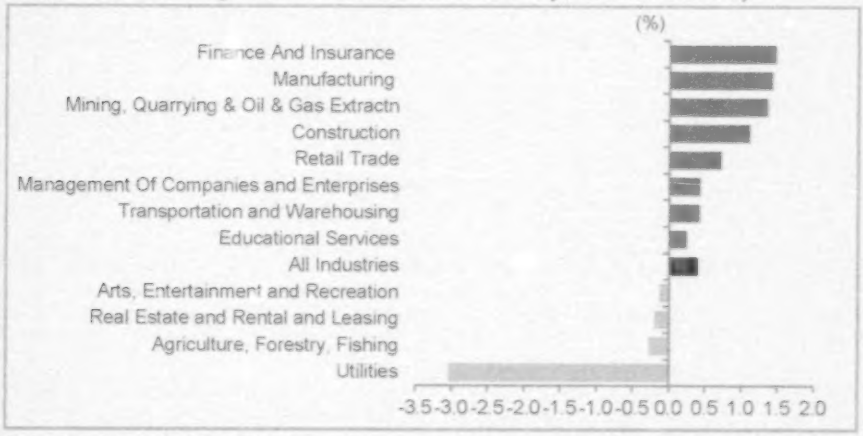
Canadian Real GDP

Canadian economy bounces back

The Canadian economy rebounded in November on the back of solid output gains in both goods and services sectors (Chart 3). Real Gross Domestic Product (GDP) increased 0.4% m/m which more than offset the 0.2% m/m contraction in October. The renewed strength in the goods sector (+0.9% m/m) was propelled by strong gains in mining, quarrying and oil and gas extraction (+1.4% m/m), manufacturing (+1.4% m/m) and construction (+1.1% m/m). Continued growth in the service sector was supported by broad based gains led by finance and insurance (+1.5% m/m) and retail trade (+0.7% m/m).

Chart 3: Solid gains in goods and service industries drive GDP growth

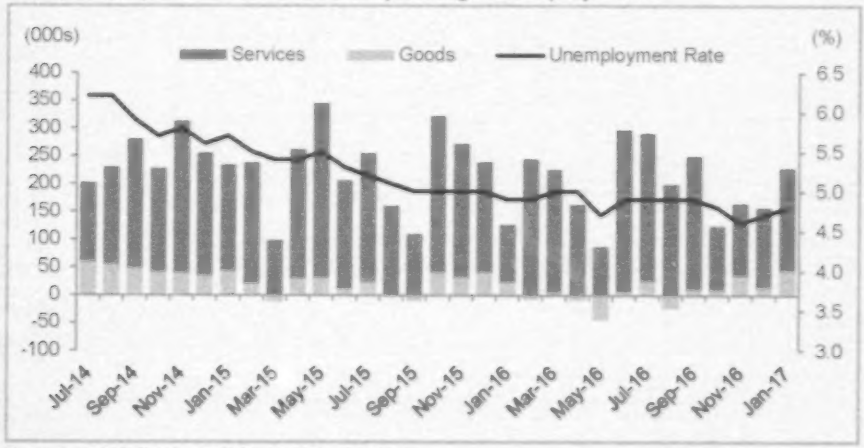
Month-over-month growth in Canadian real GDP by selected industry



Source: Statistics Canada

Chart 4: US employment accelerates

US unemployment rate and monthly change in employment



Source: US Bureau of Economic Analysis

US Real GDP

US growth gears down

After a strong showing in the third quarter, US economic growth slowed in the fourth quarter of 2016. The advanced estimate from the US Bureau of Economic Analysis showed that US real GDP grew at an annualized rate of 1.9%, less than the brisk pace of 3.5% recorded in the third quarter but far better than the sub 1% posted in early 2016. Consumer spending (+2.5%) and residential investment (+10.2%) supported growth while the recent strength in the US dollar weighed on exports (-4.3%). Non-residential investment also picked up (+2.4%) led by machinery and equipment (+3.1%) which increased following declines in the last four quarters.

US Employment

Solid gains in US employment

US labour market started 2017 on a solid footing. US non-farm employment rose by 227,000 in January, the strongest monthly gain since September 2016 and significantly better than the average monthly gain of 186,000 in 2016 (Chart 4). The strong monthly increase was led by gains in retail trade (+45,900), profession and business services (+39,000) and construction (+36,000). Employment in mining and manufacturing, which was weak in most of 2016, has been improving. Employment in mining sector rose for the third straight month, while the manufacturing industry also expanded. Despite the job gains, the unemployment rate ticked up to 4.8% as the participation rate rose.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.